# Exhibit B
# SCE General Rate Case Decision
# CPUC D.15-11-021
# (Relevant Portions)

statistics justify ASLs up to 69 years. Finally, TURN suggests that aluminum conductor can last far longer than the ASLs considered here.[952] SCE suggests that TURN misconstrues academic texts and the recommendations of SCE's witness in other jurisdictions. SCE's SPR statistics show that TURN's proposed curve very slightly outperforms SCE's in all bands, but neither curve reaches an "Excellent" CI for any band wider than 10 years.[953] SCE's various critiques of TURN's arguments appear valid. However, SCE cites no rationale for discounting the better SPR statistics of the R3 curve, therefore, we adopt the R3. However, we place more weight than TURN on the SPR recommended by the wider bands, and select a 61-year ASL.

### 21.2.5. Account 362 – Distribution Station Equipment

SCE proposes retaining the current 45 R1.5. ORA proposes a 50 R0.5, arguing that it has consistently better CI with equal Retirement Experience Index (REI) to SCE's proposal.[954] TURN recommends a 51 R0.5, noting better SPR statistics and claiming that the 51-year ASL is consistent with the recommendations of SCE's witness on behalf of other utilities.[955] SCE notes that the CI values are fair or poor for both curves in bands 30 and longer and suggests that the R0.5 is "too flat of a dispersion pattern based on the results of the SPR analysis, the predominant curve patterns in the industry, the types of assets in

[952] TURN-10 at 37-38.

[953] SCE-26V3 at 47-49.

[954] ORA-23 at 14-15.

[955] TURN-10 at 39-41.

the account and the current approved parameters."[956] Of these reasons, SCE does not include any analysis or explanation of its claim that the SPR results show that R0.5 is too flat, states that more (18 of 95) companies use R1.5 than R0.5 (5 of 95), and suggests that factors the Commission found important in the last GRC have not changed. For the types of assets in the account, SCE references its workpapers (Exhibit TURN-93) which include some discussion (apparently from workpapers dating to the 2006 GRC) discussing the design life of items in the account, and concluding that the degree to which SCE's assets outlive the design life may be expected to decrease.[957] Based on this design life information, we conclude that the ASL predicted by SCE's R1.5 curve is more reasonable, and adopt SCE's 45 R1.5.

### 21.2.6. Account 364 – Distribution Poles, Towers, and Fixtures

SCE recommends changing from a 45 R1 to a 45 R0.5, noting the R0.5 outranks the R1 in the 50+ year bands.[958] ORA recommends a 47 R0.5, citing engineering data in SCE's workpapers and ASL statistics from SPR.[959] TURN recommends a 47 L0.5, claiming that SCE's SPR analysis "lacks cohesion," notes that the 20-40 year bands yield longer ASLs, and finds that the L0 and L0.5 curves are the best fits for bands 40-60 (and almost for the 30-year band). TURN also discusses SCE's engineering data, noting the design life of new wood poles and all composite and steel poles is 60-70 years, that SCE's territory has favorable

[956] SCE-26V3 at 55.

[957] TURN-93 at 143-144.

[958] SCE-10V3 at 48-49.

[959] ORA-23 at 16-17.

climate for long life of wood poles, that a significant share of investment (in $) is in newer poles, and that the average age poles retired in each of 2001-2012 were older than 45 years.[960] SCE rejects ORA's claims, stating that ORA disregards the same workpaper information cited by TURN (i.e., TURN-93 at 163-165). SCE does not rebut TURN's discussion of the engineering data. SCE also suggests that both ORA and TURN inappropriately rely on shorter experience bands to support their recommendations, notes that both curves have poor CI for bands 30+, and that almost all of the 40+ year bands suggest an ASL 45 years or less.[961] We find that the 47-year life proposed by TURN and ORA is well supported by the engineering analysis in SCE's workpapers, as explained by TURN. Further, while the difference is slight, the SPR statistics favor TURN's proposed L0.5 curve. Accordingly, we adopt TURN's proposed 47 L0.5.

### 21.2.7. Account 367 – Underground Conductor & Devices

SCE proposes retaining the R1 curve, but increasing to a 42-year ASL. SCE notes that the R0.5, L0, and R1 curves are best ranked for all bands, and have high REIs. R1 shows a 42-year life for all bands greater than ten years.[962] ORA proposes a 49 R0.5, noting that R0.5 has better CI in every band and shows ASLs between 49.6 and 50.8 with only a slightly lower (REI) (96%). ORA notes that neither curve is used by many companies. Finally, ORA notes that engineering information provided by SCE supports longer service lives for distribution cable

[960] TURN-10 at 43-45, TURN-93 at 161-163.

[961] SCE-26V3 at 57-61.

[962] SCE-10V3 at 54-55.

installed since 2000.[963] In response, SCE suggests that R1 is more common across the industry, that ORA's proposed 23% increase in the ASL is too aggressive, and that only four curves have an ASL greater than 42 years. Further, SCE notes that the assets in this account are fairly homogeneous, suggesting a higher mode frequency.[964] The difference in number of companies using the curves (one vs three) is too slight to be persuasive. We agree with ORA's view of the engineering information supporting a longer ASL and the SPR suggesting a R0.5 curve. However, we also find SCE's point about the homogeneity of the assets compelling and are hesitant to make such a drastic change as ORA suggests. Accordingly, we adopt a 45 R0.5 as a modification of ORA's proposal; we anticipate that if the SPR statistics continue to favor an R0.5 curve with longer ASLs in future GRCs, we will further increase the adopted ASL.

### 21.2.8. Account 368 - Line Transformers

SCE proposes to increase the ASL from 30 to 33 and move to a flatter R1 from the current R5. The top ranked curves are R0.5, L0, and R1, each with REIs close to 100, but low CI. SCE focuses on 36 R0.5 vs 33 R1, and concludes that 33 R1 is preferred because the longer life and flatter 36 R0.5 are not appropriate for this account.[965] ORA argues that the 36 R0.5 curve is the best fit in every observation band and notes that each band is used by eight other companies.[966] In rebuttal, SCE notes that the CI differences are small and that the life of

[963] ORA-23 at 17-19.

[964] SCE-26V3 at 62-67.

[965] SCE-10V3 at 56-57.

[966] ORA-23 at 19-20.

overhead transformers ranges from 25-35 and underground transformers 15-25, and that these two asset types comprise 67.5% of the account.[967] We agree that the engineering life estimates are more compelling than the slight difference in SPR statistics and approve SCE's proposal.

### 21.2.9. Account 369 – Services

SCE proposes retaining the current R2 and increasing the ASL from 40 to 42. SCE notes that the top ranked curves are "very flat" and that REIs are close to 100, but CI are poor and fair. SCE suggests that the flat curves indicate changing characteristics. SCE claims R2 is the predominant curve in the industry.[968] ORA agrees that the SPR data indicates a longer ASL and notes that the top ranked curve is a 57 R0.5, with excellent REI, but considers this 17-year increase too extreme. ORA recommends a 50 R1 noting that it is one of four curves consistently outranking SCE's proposed R2.[969] SCE contends that the CI values are too low and too close between the two curves to strongly favor the R1 and that homogeneity would suggest a curve with higher mode frequency dispersion.[970] We note that the R2 curve is only slightly more commonly used than the R1 (18 vs 14) and that the R1.5 is not far behind (11).[971] We agree that ASL is increasing, and that the SPR data suggests that life characteristics may be changing. From our review of the SPR data,[972] we note that the R1.5 curve

[967] SCE-26V3 at 68-70; TURN-93 at 180-191.

[968] SCE-10V3 at 58-59.

[969] ORA-23 at 20-21.

[970] SCE-26V3 at 71-76.

[971] SCE-10V3 at 58.

[972] TURN-92 at 219-225.

suggest a 44.5-year life and consistently has better CI values than the R2 curve proposed by SCE. Further, a 45 R1.5 does not represent as extreme a change as ORA's proposal. We adopt a 45 R1.5.

### 21.2.10. Account 373 – Street Lighting

SCE proposes to retain the current 40 L0.5, noting that the top ranked curves are low modal which SCE finds reasonable given the variety of assets in the account. SCE notes these curves are common in the industry and that CI values are fair or poor for all bands greater than ten years.[973] ORA proposes an increase in ASL to a 42 L0.5 based on SPR data.[974] SCE argues that the CI is too low to support an increase in ASL, that most other curves show shorter ASLs, and that ORA's recommendation does not account for SCE's operational information suggesting a 38.5-year life.[975] We agree with SCE that the operational information is more compelling than the SPR statistics in this instance, and approve the 40 L 0.5.

### 21.2.11. Other Accounts and Summary

There are a number of other accounts for which no party contested SCE's showing. Unless otherwise noted above, SCE's proposals are approved. The following table shows a summary of the contested accounts.

[973] SCE-10V3 at 61.

[974] ORA-23 at 21.

[975] SCE-26 V3 at 76-78, TURN-93 at 205.

| Account | | 2012 GRC | SCE | TURN | ORA | Adopted |
|---|---|---|---|---|---|---|
| **TRANSMISSION PLANT** | | | | | | |
| **353** | Station equipment | 40 R 1 | 41 R 1 | 45 R 0.5 | | 45 R 0.5 |
| **354** | Towers & Fixtures | 65 R 5 | 65 R 5 | 67 R 5 | | 65 R 5 |
| **355** | Poles & Fixtures | 50 R 1 | 45 R 1 | 51 R 0.5 | | 50 R 0.5 |
| **356** | Overhead Conductors & Devices | 50 R 4 | 56 R 4 | 62 R 3 | | 61 R 3 |
| **DISTRIBUTION PLANT** | | | | | | |
| **362** | Station Equipment | 45 R 1.5 | 45 R 1.5 | 51 R 0.5 | 50 R 0.5 | 45 R 1.5 |
| **364** | Poles, Towers & Fixtures | 45 R 1 | 45 R 0.5 | 47 L 0.5 | 47 R 0.5 | 47 L 0.5 |
| **367** | Underground Conductors & Devices | 40 R 1 | 42 R 1 | | 49 R 0.5 | 45 R 0.5 |
| **368** | Line Transformers | 30 R 1.5 | 33 R 1 | | 36 R 0.5 | 33 R 1 |
| **369** | Services | 40 R 2 | 42 R 2 | | 50 R 1 | 45 R 1.5 |
| **373** | Street Lighting & Signal Systems | 40 L 0.5 | 40 L 0.5 | | 42 L 0.5 | 40 L 0.5 |

### 21.3. Cost of Removal (COR) and NSR

SCE proposes a weighted-average increase of 17.88% in its NSR for T&D accounts, representing an increase in future COR of almost $4.2 billion.[976] As with the life analysis discussed above, TURN and ORA contend that SCE did not meet its burden of proof and did not comply with Commission directives in D.12-11-051; SCE contends that it did.

[976] SCE-26V2 at C-1.

In many of the accounts, the proposed NSR is negative. For simplicity, we will refer to changes in negative NSRs as an increase if it is a move toward a more negative number (e.g., an increase from -10% to -20%) and vice versa.

One particularly contested requirement is the Commission's statement that "SCE shall provide testimony in its next GRC to provide more information about the COR in asset accounts where SCE's proposed NSR is at least 25% more than comparable industry averages."[977] We refer to this requirement as the "25% directive." SCE argues that it was not aware of such statistics, but necessarily complied with the 25% directive by providing more information for all accounts.[978] TURN argues that SCE did not comply with this requirement, in part by misinterpreting the requirement to refer to recorded data rather than requested or approved NSRs, and in part by devoting no significant discussion to the issue in its direct testimony.[979]

Another contested requirement is that SCE review its allocation practices to ensure that no costs of installing new equipment are booked as COR.[980] SCE argues it complied with this requirement because its outside witness "provided an unbiased and independent perspective" and concluded that no changes were required.[981] TURN argues that SCE's showing on this point is insufficient, and amounts to little more than the utility's hired witness stating the utility's process

[977] D.12-11-051 at 686.

[978] SCE OB at 304.

[979] TURN OB at 256-258.

[980] D.12-11-051 at 683.

[981] SCE OB at 305.

is adequate, in part based on review of a 2004 report.[982] We agree with TURN – SCE has done little to assure the Commission that it is not inappropriately booking installation costs to COR. This problem is fundamental – SCE's primary justification for its positions on NSR is historical COR data. Other parties also rely on this same historical data. SCE's showing does include any significant quantitative showing beyond its review of historical, account-level NSR data. For example, SCE's only quantitative discussion of future trends in COR or retirement mix are in rebuttal to TURN. While we do not make any across-the-board reductions to SCE's proposals based on this problem, we factor this shortcoming in SCE's showing into our analysis of the individual accounts.

In PG&E's most recent GRC, we adopted a cap on the rate of increase in negative NSRs for disputed accounts of 25% of PG&E's requested increase (e.g., if the previously approved NSR was -50% and PG&E requested -100%, we adopted an NSR no more negative than -62.5%). The primary rationale for this cap was gradualism. Specifically, we found that this cap appropriately balanced the rate increase to current customers with the costs to future customers of any deferred COR.[983]

#### 21.3.1. Account 352 – Transmission Structures and Improvements

SCE proposes increasing the NSR from -30% to -35% noting that recent experience has ranged from -50.05 to -77.35%.[984] ORA recommends no change to

[982] TURN OB at 260-261.

[983] D.14-08-032 at 596-602.

[984] SCE-10V3, Study at 88.

this account, citing the 25% NSR directive in D.12-11-051 and stating that SCE provided less testimony than previously. In calculating the industry average, ORA excludes PG&E as an outlier.[985] SCE criticizes ORA's approach in general, particularly with regard to excluding PG&E. SCE notes that its COR data shows NSRs for 2010-2012 that are higher than those considered in the 2012 GRC.[986] We note that SCE's recorded data for those years is far higher than SCE's proposal. Accordingly, we approve SCE's requested increase to -35%.

### 21.3.2. Account 353 – Transmission Station Equipment

SCE proposes an increase from -5% to -15% based on 10-year rolling average of -18%.[987] ORA recommends an increase to -10%. ORA suggests that increasing copper prices should lead to an increase in gross salvage, thus making the NSR less negative, but notes that historical salvage data does not show this relation.[988] TURN proposes no change, claiming that SCE's change to exclude spare parts is inappropriate. TURN further argues that future NSR values are likely to be more influenced by transformers, therefore potentially realizing higher gross salvage and less negative NSR. TURN also argues that emergency labor is not appropriately considered by SCE.[989] SCE notes that net salvage over the last four recorded years has been more negative than -20% despite high copper prices and high gross salvage, noting that there is no certainty of future

[985] ORA-23 at 24-26.

[986] SCE-26V3 at 86-88; SCE-10V3, Appendix E at 1.

[987] SCE-10V3, Study at 88-89.

[988] ORA-23 at 27-30.

[989] TURN-10 at 59 – 62.

copper prices remaining high. SCE argues that TURN's spare parts argument is irrelevant on the basis that this is small ($52 million) relative to the account ($3.9 billion), but comments that they "dramatically influence" the results. Further, SCE notes that spare parts are internal transactions, are not sold, and were removed from retirement, gross salvage, and life analysis for the depreciation study. SCE suggests that TURN misconstrues the relative NSR impact of transformers and switches, arguing that both are long-lived assets and that transformers are more costly to remove.[990] We agree with SCE that the recorded data supports an increase in the NSR and are not persuaded that copper prices or other factors will change NSR in the future. Accordingly, we adopt SCE's proposed increase to -15%.

### 21.3.3. Account 354 – Transmission Towers and Fixtures

SCE proposes an increase in the NSR from -70% to -100%, citing five and ten-year averages of -200% and -185%.[991] ORA recommends retaining the current NSR, noting that it is consistent with industry data, after excluding an outlier that is 22 times greater than the second highest reported NSR.[992] TURN recommends a -40% NSR, discounting SCE's recorded data as being not representative for two reasons. First, very little has been retired. Second, double circuit towers have been disproportionately represented in recent retirements. TURN anticipates future economies of scale will bring unit COR down in the

[990] SCE-26V3 at 88-94.

[991] SCE-10V3, Study at 89.

[992] ORA-23 at 30-32.

future. TURN claims the five-year mean, median, and mode of SCE's witness's proposals for this account is -20%.[993]

SCE rejects ORA's outlier removal and claims its proposal is consistent with the industry data. SCE rebuts TURN's small sample size arguments by claiming that there is no reason to suspect the sample is not representative. Further, SCE admits that there may be some economies of scale to removing transmission towers, but argues that they will be very small in comparison to the total cost.[994]

Given the small sample on which SCE's historical data is based, we do not find a compelling reason to increase the NSR for this account. Further, SCE has not advanced any argument why its NSR should be significantly higher than the industry data cited by TURN and ORA, and agree with ORA that excluding the extreme outlier for this account appears appropriate. Accordingly, we adopt a slight decrease in NSR to -60% in order to make a conservative move toward the industry central tendency unless SCE's actual experience or other evidence in future GRC's supports a higher NSR.

#### 21.3.4. Account 355 – Transmission Poles and Fixtures

SCE proposes to increase the NSR from -70% to -85%, claiming the recent five and ten-year averages are -107% and -115%.[995] ORA recommends -72% claiming that this is consistent with PG&E and the industry median and mean after removing certain outliers. Further, ORA anticipates that the pole loading

[993] TURN-10 at 63-65.

[994] SCE-26V3 at 94-99.

[995] SCE-10V3, Study at 90.

program will decrease costs in this account by economies of scale and reducing the fraction of emergency work.[996] SCE objects to ORA's removal of outliers and use of the median statistic, but does not respond to ORA's argument about future cost reductions.[997] We find ORA's argument that per unit COR will be lower in the future due to the increase in non-emergency retirements persuasive, and we adopt ORA's proposed -72%.

### 21.3.5. Account 356 – Transmission Overhead Conductor and Devices

SCE proposes an increase from -80% to -100%, citing five and ten-year averages of -204% and -171%.[998] ORA recommends no change to this account citing the 25% directive and industry mean and median figures ranging from -35% to -71%.[999] TURN recommends a decrease to -50%, claiming that this is above the central tendency of the recent recommendations of SCE's witness for other utilities (-30 to -38%), and that this proposal results in annual accruals approximately equal to the ten-year average of SCE's actual total COR. TURN claims SCE's historical data are inappropriate to rely on.[1000] In rebuttal, SCE repeats its arguments based on recorded data, notes that six other utilities report higher values, and argues that it met its burden of proof. Without explanation, SCE expresses surprise that it is not the highest in the industry for this

[996] ORA-23 at 32-34.

[997] SCE-26V3 at 99-101.

[998] SCE-10V3, Study at 90-91.

[999] ORA-23 at 35.

[1000] TURN-10 at 66-67.

account.[1001] We agree with ORA that SCE has not explained its deviation from industry averages and adopt ORA's proposed -80%.

### 21.3.6. Account 362 – Station Equipment

SCE recommends an increase in NSR from -20% to -30%, citing five and ten-year averages of -58% and -43%.[1002] ORA and TURN each recommend no change. ORA notes that industry mean values are approximately -22% (or -15% excluding SDG&E) while the industry median is -15%.[1003] TURN claims that transformers have been underrepresented in recent retirements by 68% relative to their share of plant balance and that copper prices are currently high, arguing that these factors will increase gross salvage. Further TURN claims that SCE's witness has consistently testified to lower NSR for other utilities.[1004] SCE rejects ORA's analysis, claiming that SDG&E's experience indicates that COR in California is high. SCE also claims that transformers are not the only long-lived assets in the substation, are more expensive to remove than other assets, that copper prices have only a small impact on NSR for this account, and that eight other companies report higher NSR than requested by SCE.[1005] While we agree with SCE that copper prices are not a large factor, we find that TURN's argument about changing retirement mix has some merit. SCE's rebuttal that transformers are expensive to remove is almost entirely based on factors that would also make

[1001] SCE-26V3 at 102-104.

[1002] SCE-10V3, Study at 92-93.

[1003] ORA-23 at 35-36.

[1004] TURN-10 at 68-69.

[1005] SCE-26V3 at 105-109.

them expensive to install (e.g., weight and bulk). This argument is not convincing in terms of NSR because both parts of the ratio are impacted. We adopt -25% in order to balance this concern against SCE's recorded data.

### 21.3.7. Account 364 – Distribution Poles, Towers, & Fixtures

SCE proposes an increase in the NSR from -190% to -225%, noting the recent five and ten-year averages both exceed -410% and that it does not foresee a change in the fraction of emergency work.[1006] ORA proposes no change, claiming that COR on a per pole basis has been stable or possibly decreasing. Excluding either one or two outliers, ORA calculates industry means in the range of -113% to -152%, and argues that SCE has neither complied with the 25% directive nor met its burden of proof. ORA suggests that SCE's proposed increase in annual net salvage collections (greater than $579 million) is not justified by the 218 words of SCE's testimony.[1007]

TURN recommends a decrease in NSR to -132% on the basis that SCE's recorded COR values are industry outliers and suggesting that SCE's allocation between COR and cost of installation is part of the problem. TURN notes that SCE's proposal is much higher than for any other utility that SCE's witness has performed the depreciation study. In particular, TURN discusses a utility in Texas (Southwestern Public Service Company, or SPS), asserting that SCE's COR on a per pole basis is 7.6 times higher ($2,400 vs $300). TURN postulates that labor is a major portion of COR, and that labor is approximately 23% more expensive for SCE than SPS, and concludes that labor or other cost differentials

[1006] SCE-10V3, Study at 93-94.

[1007] ORA-23 at 37-39.

are unlikely to explain the difference in COR. TURN contends that SCE's allocation process has not been updated enough (e.g., it assumes no relative changes in labor and materials costs since 2004) and generally challenges the allocation factors. TURN proposes -132% because that is the "most negative and most recent level" proposed by SCE's witness on behalf of another utility.[1008]

SCE rejects ORA's and TURN's characterizations that its COR is unusually high. SCE's basis is industry data without removing ORA's outliers and claiming that there are seven utilities with higher COR for this account. Further, SCE contends that the per pole COR is trending up, not down, relying on the same data as cited by ORA. SCE's witness rejects TURN's comparison to SPS based on "a dramatic difference in the effort required to replace a pole in many cases" and discusses a supporting anecdote. Further, SCE suggests that TURN's calculated $300/pole for SPS is inaccurate, and provides a comparable value of $447 for SPS. SCE also observes that TURN's allocation theory would suggest that SPS books more cost to new poles than SCE, but SCE's costs are in fact higher. SCE alleges that it pays $100 per pole for disposal and that SPS faces no similar disposal fee. Finally, SCE defends its allocation process noting that allocations are specific to the configuration of the poles and alleging that work effort per task is unlikely to change over time.[1009]

SCE's response to ORA and TURN's allegations is insufficient to justify the full requested increase. SCE's historical data suggests an increase is warranted, but SCE's showing that the allocation practices are reasonable is incomplete.

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[1008] TURN-10 at 70-75.

[1009] SCE-26V3 at 108-115.

However, TURN's suggestion to totally discount SCE's recorded data is extreme, and we decline to adopt this approach. While there are clearly differences between SCE and SPS and their territories, SCE's anecdotal evidence and reference to disposal fees does not prove that SCE's $2,400 per pole COR is reasonable. Consistent with the logic of gradualism that we applied to PG&E, we will adopt a -210% NSR. This balances the increase demonstrated by SCE's recorded data, our ongoing concerns with SCE's showing on its allocation practices, and the rate of increase in depreciation rates.

### 21.3.8. Account 365 – Distribution Overhead Conductors and Devices

SCE proposes an increase from -110% to -125% citing five and ten-year averages of -277% and -200%. ORA recommends no change, citing industry means and medians ranging from -50% to -84%, noting that the mean drops to -63% if PG&E is excluded.[1010] TURN recommends a decrease to -85% alleging problems in SCE's data and citing industry comparisons. TURN claims that the highest recommendation that SCE's witness has made for any utility in the last five years is -85% and that the central tendency is -30 to -40%. TURN also again compares SCE to SPS, noting that SCE's witness proposed a COR of $1.07/foot in Texas, but $3.52/foot for SCE, claiming that labor and other costs cannot explain this difference, and concluding that only errors in SCE's allocation process can explain this difference in full.[1011] SCE claims that there are five utilities reporting higher NSR than SCE and that California utilities are experiencing higher COR.

[1010] ORA-23 at 39-40.

[1011] TURN-10 at 76-79.

SCE asserts that TURN's calculations of COR for SCE and SPS are inaccurate, but does not propose an alternative comparison. SCE argues that SPS's cost of new conductor is not high enough to be consistent with TURN's theory that SCE is overbooking to COR and underbooking to new installation.[1012]

For this Account, we adopt a gradual increase in NSR to -115%. While SCE's recorded data shows highly negative values, the evidence that SCE's allocation process is reasonable is inconclusive. Similarly, while SCE's recorded data is above the central tendency of the industry, there are other utilities recording much higher values.

### 21.3.9. Account 366 – Underground Conduit

SCE proposes an increase from –20% to -40%, noting five and ten-year averages of -125% and -108%. SCE claims its recommendation accounts for the high COR of vaults and manholes, which have been over represented in recent years.[1013] ORA recommends -22% because of SCE's "limited analysis."[1014] TURN proposes to retain the current -20%, citing concerns about SCE's allocation practices, industry data, and claiming that SCE's analysis of changes in the retirement mix is incomplete.[1015] SCE responds that its proposal is about one third of the most negative recent historical data and that 15 or more utilities have higher recorded NSR than SCE. SCE also notes that it proposes an increase in the life of assets in this account, and claims that this will increase NSR due to

[1012] SCE-26V3 at 116-120.

[1013] SCE-10V3, Study at 94-95.

[1014] ORA-23 at 41.

[1015] TURN-10 at 80-81.

inflation and possibly other factors.[1016] We note that the four-year increase in ASL (from 55 to 59) explains only a small fraction SCE's proposed doubling of NSR, but it is a factor. SCE's recorded data and explanation of increasing life expectancy, which we adopt above, support an increase. However, SCE has not presented adequate quantitative analysis on the changing retirement mix to justify the full request. Therefore, we approve an increase to -30%.

### 21.3.10. Account 367 – Underground Conductor

SCE proposes an increase to -80% from the current -60%, noting five and ten-year averages of -162% and – 142%.[1017] ORA recommends no change, citing the 25% directive.[1018] TURN recommends a decrease to -50% claiming that SCE's showing is inadequate for an account of this size ($4.4 billion). TURN claims that SCE has not demonstrated that its allocation process is reasonable and that SCE allocates a higher proportion of costs to COR than does any other utility known to SCE's witness. TURN contends that circuit breakers have been over-represented in recent retirements, skewing NSR upward. TURN cites low COR for conductor because of economies of scale and abandonment in place. TURN claims that SCE is an outlier, with a request five to eight times above the mean, median and mode of the industry, and 60% above the next highest NSR (-50%) in SCE's witness's direct experience.[1019] SCE claims there are nine companies in the industry database with higher recorded NSR than SCE and that

[1016] SCE-26V3 at 121-123.

[1017] SCE-10V3, Study at 95.

[1018] ORA-23 at 41-42.

[1019] TURN-10 at 81-84.

it is therefore not an outlier. SCE claims that it initiated a new process in late 2013 to remove and replace conductor from conduit instead of abandoning the conduit underground, thus increasing the COR.[1020] However, we note that SCE's citation to the testimony of one of its T&D witnesses is an error; the correct citation is to the testimony of Roger Lee in SCE-3V4.

SCE's showing is not adequate to justify the requested increase. While the recorded data does suggest an increase, SCE has not made any specific showing that its allocation process is reasonable. While SCE's argument may be valid that replacing conductor may increase COR in the long term, it is uncertain the extent to which this change will occur. Further, it is clear that a change beginning in late 2013 cannot explain the trends seen in SCE's recorded NSR. SCE has not provided any significant analysis of the impact of the changing retirement mix. SCE has not met its burden of proof for this account, accordingly, we will retain the current -60% NSR.

### 21.3.11. Account 368 – Distribution Line Transformers

SCE recommends an increase from the current 0% NSR to -20%, noting five and ten-year averages of -48% and -27%.[1021] ORA recommends -2% noting that, aside from changed numbers, SCE's showing for this account is identical to Account 367.[1022] SCE's recorded data supports its proposed increase, and we adopt -20%.

[1020] SCE-26V3 at 123-127 and SCE-3V4 at 31.

[1021] SCE-10V3, Study at 95-96.

[1022] ORA-23 at 42.

### 21.3.12. Account 369 – Services

SCE proposes an increase from -85% to -125%, citing five and ten-year averages of -431% and -244%[1023] ORA and TURN each recommend retaining the current NSR, arguing that SCE has not met its burden of proof. ORA cites industry medians around –60% and means from -74% to -166%. Excluding an outlier, ORA calculates a mean of -83% and claims that SCE has not complied with the 25% directive.[1024] TURN claims that underground services have only represented 30% of retirements in the last ten years, but account for 60% of the account balance. Further, TURN suggests these underground services are likely to be abandoned in place. Finally, TURN claims that -85% is high relative to the recommendations of SCE's witness for other clients.[1025] SCE argues that its request is below the three-year industry mean, without excluding the outlier. SCE rejects TURN's retirement mix argument, calculating that even if underground services had 0% NSR, the account average NSR would be -172% assuming retirement mix equal to account balance.[1026] Although SCE's responses to ORA and TURN appear reasonable, SCE has not provided any detailed showing about future COR trends in this account. Consistent with gradualism, we adopt an increase to -100%.

[1023] SCE-10V3, Study at 96.

[1024] ORA-23 at 42-44.

[1025] TURN-10 at 85-87.

[1026] SCE-26V3 at 128-130.

### 21.3.13. Account 373 – Street Lighting

SCE proposes an increase from -20% to -40% based on five and ten-year averages of -87% and -77%. SCE claims that this recommendation does not account for the likely increase in NSR when it predicts more electroliers will be retired in the future relative to fixtures.[1027] ORA recommends -22% noting a three-year industry mean of -18%.[1028] SCE argues that ORA inappropriately excludes subaccounts from its industry calculation. Instead, SCE calculates three and five-year means of -166% and -74%.[1029] SCE's recorded data supports an increase, but due to the lack of specific analysis we only approve -30%.

### 21.3.14. Other Accounts and Summary

There are a number of other accounts for which no party contested SCE's showing. Unless otherwise noted above, SCE's proposals are approved. The following table shows a summary of the contested accounts.

[1027] SCE-10V3, Study at 97-98.

[1028] ORA-23 at 44-45.

[1029] SCE-26V3 at 131.

| Account | 2012 GRC | SCE | ORA | TURN | Adopted |
|---|---|---|---|---|---|
| **Transmission Plant** | | | | | |
| 352 - Structures and Improvements | -30% | -35% | -30% | | -35% |
| 353 - Station Equipment | -5% | -15% | -10% | -5% | -15% |
| 354 - Towers and Fixtures | -70% | -100% | -70% | -40% | -60% |
| 355 - Poles and Fixtures | -70% | -85% | -72% | | -72% |
| 356 - Overhead Conductors & Devices | -80% | -100% | -80% | -50% | -80% |
| **Distribution Plant** | | | | | |
| 362 - Station Equipment | -20% | -30% | -20% | -20% | -25% |
| 364 - Poles, Towers and Fixtures | -190% | -225% | -190% | -132% | -210% |
| 365 - Overhead Conductors & Devices | -110% | -125% | -110% | -85% | -115% |
| 366 - Underground Conduit | -20% | -40% | -22% | -20% | -30% |
| 367 - Underground Conductors & Devices | -60% | -80% | -60% | -50% | -60% |
| 368 - Life Transformers | 0% | -20% | -2% | | -20% |
| 369 - Services | -85% | -125% | -85% | -85% | -100% |
| 373 - Street Lighting & Signal Systems | -20% | -40% | -22% | | -30% |

### 21.4. Decommissioning Projects

#### 21.4.1. SONGS Marine Mitigation

SCE proposes to retain the current 9.5-year remaining life, ending June 2022.[1030] This subject is addressed in Section 11.2.10 above.

#### 21.4.2. Mohave

SCE and ORA dispute the depreciation period for the remaining balance of the retired Mohave plant. SCE requests completing the depreciation in 2015, while ORA recommends completion in 2017.[1031] Both parties cite D.12-11-051 in support of their view. We agree with SCE that the intent of the "six years"[1032] in that decision was to end in 2015. Accordingly, we approve SCE's request.

[1030] SCE-10V2R1 at 32.

[1031] ORA OB at 413.

[1032] D.12-11-051 at 653.